

Power Sector Updates

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Energy crisis: GenCos blame ₦1.64trn debt for state of power supply¹

The power generation companies (GenCos) have attributed the current state of electricity generation in the country to the ₦1.644 trillion owed them by the Nigerian Bulk Electricity Trading (NBET) Plc. The debt arose principally from unpaid capacity charges from as far back as 2015.

Dr. Joy Ogaji, the Executive Secretary (ES) of the Association of Power Generation Companies, noted that the NBET has not met all its obligations to the GenCos as contained in the Power Purchase Agreements (PPA). The ES gave a breakdown of the debts owed the GenCos as ₦214.93 billion in 2015; ₦273.32 billion in 2016; ₦236.47 billion in 2017, ₦264.08 billion in 2018, and ₦256.97 billion, ₦266.01 billion, and ₦120.25 billion in 2019, 2020 and 2021 respectively.

Nigeria's national grid has been plagued with challenges in the transmission and distribution subsectors, which has made it difficult to evacuate the available generation capacity through the grid. The Nigeria Electricity Regulatory Commission (NERC), based on data obtained in 2021, reported that power distribution in the year, averaged 4,094.09 megawatt (MW), despite available generation capacity of about 8,000 MW². Relatedly, average unutilized power generation increased year-on-year, YoY, to 3,008.18 Megawatts, MW in 2021, from 1,030.80 MW in 2013, indicating an increase of 291 per cent in the past eight years. Efforts are ongoing to improve the state of the transmission and distribution network with several projects earmarked in the 2022 Budget. However, it is not clear when the grid, will begin to see the impact of these efforts.

NERC to review electricity tariff every six months over FX, inflation³

The NERC has indicated its intention to ensure the conduct of a minor tariff review, every six months, to reflect the economic situation, especially given the volatility in the foreign exchange market and inflation. The NERC Chairman, Sanusi Garba, who disclosed this, on 16 March 2022, said the commission will not conduct the tariff review in secrecy but will consult the relevant stakeholders before any implementation.

The NERC Chairman clarified that the rate, which will be adjusted every six months, should take care of the foreign exchange component of tariff and inflation. He also noted that the rate might not necessarily be an upward review but will be dependent on the relevant variables contained in the tariff computation.

Nigeria's foreign exchange rate has maintained an upward trend. Inflation has also remained on the high side, implying that should the indexes continue to go up, the tariff review would most likely follow a similar trend unless the situation improves.

Federal Ministry of Environment introduces Environmental and Social Management Plan (ESMP) Guidelines for solar mini-grid project⁴

The Federal Ministry of Environment recently launched the ESMP Guidelines ("the Guidelines") for solar mini-grid projects in Nigeria given the increase in the deployment of renewable energy projects in Nigeria, especially off-grid solar energy projects. The Ministry noted that the Guidelines was necessary for standardization and to ensure that such projects comply with social and environmental best practices. The Guidelines will also provide a framework for

¹<https://dailyasset.ng/electricity-crisis-gencos-blame-n1-64trn-debt-for-low-power-supply/>

²<https://www.vanguardngr.com/2022/01/how-poor-generation-metering-gap-financial-crisis-shackled-power-sector-in-2021/>

³<https://guardian.ng/news/nerc-to-review-electricity-tariff-every-six-months-over-fx-inflation/>

⁴<https://www.theconclaveng.com/fg-launches-environmental-solar-mini-grid-projects-in-nigeria/>

obtaining ESMP approval before commencement of any project.

Further, the Guidelines will provide mechanisms for monitoring the progress of approved project to ensure that they comply with the provisions of the ESMP and approval conditions. Overall, the Guidelines is expected to create an enabling environment for speedy and easy deployment of mini-grid projects and provide a simplified step-by-step guide for project planning, approval and monitoring in line with the ESMP.

It is also hoped that the implementation of the approval process does not create another bottleneck which slows down the execution of renewable energy projects in the country.

NERC launches PSRP Website

The NERC, in April 2022, launched the Power Sector Recovery Programme (PSRP) website at a media workshop on power sector recovery plans held in Abuja. The PSRP is a broad reform programme to enhance power supply, restore financial viability, and improve accountability and transparency in the power sector.

The PSRP website is an interactive online platform that includes functions that allows electricity consumers to request and obtain feedback on issues in the Nigerian power sector. The NERC chairman noted that the website is designed to provide a channel of communication to enhance conversation and dialogue on what Nigeria is doing to get the power sector to function. He therefore urged Nigerians to visit the website and participate in providing valuable information and updates that will help the Commission in its efforts to develop the electricity sector.

NBC earmarks €15m for solar energy generation

The Nigerian Bottling Company (NBC) has announced plans to invest over €15 million in its bid to increase its solar generation to about 15 megawatts before the end of 2022. NBC stated that the move was part of its uncompromising commitment to minimize its carbon footprint in the Country.

The Managing Director, NBC, Matthieu Seguin, at a media tour of its Ikeja plant, said the company has embarked on series of steady investments towards sustainable manufacturing and transition to renewable and cleaner energy sources, as a way of accelerating the delivery of its net zero commitment.

FEC Endorses Three Contracts to Boost Power Supply

The Federal Executive Council (FEC) has approved the award of three contracts to accelerate the improvement of power supply in the country. The approval came on 27th April 2022 following its weekly meeting led by President Muhammadu Buhari. The Minister of Power, Abubakar Aliyu, confirmed the approval while briefing state house correspondents after the FEC meeting. He said the contracts were for the purchase of major electricity transmission equipment.

The first one was a variation of a subsisting contract for the Katampe to National Stadium, 132 direct circuit line, which is about 90 per cent completed. The second approval was for the design, manufacture, and supply of two (2) 60 MVA, 132/33 kV power transformers. The third approval was for a contract to design, construct, and install a 260-kilometre transmission line from Birnin-Kebbi, through Zuru to Yauri in Kebbi State. The council also approved Nigeria's Revised Energy Policy (2022).

⁵<https://theelectricityhub.com/nigeria-nerc-launches-psrp-website/>

⁶<https://guardian.ng/business-services/nbc-earmarks-e15m-for-solar-energy-generation/>

⁷Nigeria: FEC Endorses Three Contracts to Boost Power Supply • The Electricity Hub

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